



Legislative Audit Division

State of Montana

Report to the Legislature

December 2002

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2002

Office of the Governor and Lieutenant Governor

We issued an unqualified opinion on the office's financial schedules. Our report contains one recommendation addressing compliance with state policies and procedures related to purchasing cards.

**Direct comments/inquiries to:
Legislative Audit Division
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02-21

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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2003, will be issued by March 31, 2004. The Single Audit Report for the two fiscal years ended June 30, 2001, was issued on March 26, 2002. Copies of the Single Audit Report, when available, can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
State Capitol
Helena MT 59620
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James Gillett, Financial-Compliance Audit

December 2002

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 2002. We issued an unqualified opinion on the financial schedules of the office. Our report contains one recommendation regarding compliance with state purchasing card policies and procedures. The office's response is contained at the end of the report.

We thank the Governor, Lieutenant Governor, and their staffs for their assistance and cooperation.

Respectfully submitted,

(Signature on File)

Scott A. Seecat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2002

Office of the Governor and Lieutenant Governor

Members of the audit staff involved in this audit were Laurie H. Evans, Geri Hoffman, Angie Lang, and Jim Manning.

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Elected and Administrative Officials

Office of the Governor and Lieutenant Governor

Governor	Judy Martz
Lieutenant Governor	Karl Ohs
Chief of Staff	Barbara Ranf
Centralized Services Administrator	Mary Jo Murray

For additional information concerning the Office of the Governor
and Lieutenant Governor contact:

Meta Boyer, Deputy Press Secretary
Governor's Office
PO Box 200801
Helena MT 59620-0801
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Governor's Office

This report contains the results of our financial-compliance audit of the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ended June 30, 2002. The previous audit report contained seven recommendations, of which six were implemented and one, regarding purchasing cards, was partially implemented.

This report contains one recommendation addressing the office's compliance with state policies and procedures related to purchasing cards.

We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the presented financial information and the supporting data on the state's accounting system.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office adopt and enforce written policy to improve compliance with state purchasing card policies related to the retention of receipts for all purchases..... 5

Agency Response: Concur. See page B-3.

Introduction

Introduction

We performed a financial-compliance audit of the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ended June 30, 2002. The objectives of the audit were to:

1. Determine if the office complied with applicable state and federal laws and regulations.
2. Recommend improvements in the internal and management controls of the office.
3. Determine if the financial schedules present fairly the office's results of operations for each of the two fiscal years ended June 30, 2002.
4. Determine the implementation status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed the cost to implement the recommendation and believe the cost is not significant to the office. Areas of concern, if any, regarding compliance with laws and regulations and state accounting policy deemed not to have a significant effect on the successful operations of the office's programs are not specifically included in this report, but have been discussed with management.

Background

The office was created upon acceptance of Montana into the Union in 1889 and is provided for in Article VI of the Montana Constitution. The office had 57 full-time equivalent positions in fiscal year 2002. Of those 57 positions, there are 12 statutorily exempt positions and 21 personal staff exempt positions. These positions are exempt from the provisions of the state classification law. The following paragraphs discuss the various programs administered by the office.

Executive Office (26 FTE) - provides administrative, legal, press support, and centralized services support for the office. The executive office oversees and directs the activities of executive branch agencies. In addition, the executive office administers special programs that impact citizens and governmental concerns. These special programs include the Flathead Basin Commission, the

Introduction

Montana Consensus Council, the Office of Economic Opportunity, and the Mental Health Ombudsman.

Lieutenant Governor (3 FTE) - performs duties prescribed by law and those delegated by the Governor.

Office of Budget and Program Planning (17 FTE) - assists the Governor in planning, preparing, and administering the state budget; develops and evaluates alternative program plans for providing state government services; and acts as the lead executive branch agency for compliance with the federal Single Audit Act.

Citizens' Advocate Office (1.5 FTE) - provides accessibility to state government for Montana citizens by providing information to citizens and acting as a referral service to state agencies.

Mental Disabilities Board of Visitors (5 FTE) - protects the rights of the mentally ill and the developmentally disabled.

Mansion Maintenance (1.5 FTE) - maintains the Governor's official residence.

Air Transportation (1 FTE) - provides transportation for the Governor and the Governor's staff. The Governor's aircraft is available to other state agencies for a fee. Fee revenues are used for aircraft operating and maintenance costs.

Coordinator of Indian Affairs (2 FTE) - serves as the Governor's liaison with the state Indian tribes, provides information and policy support on issues confronting Indians of Montana, and advises and makes recommendations to the legislative and executive branches on these issues. In addition, the State-Tribal Economic Development Commission, which is administratively attached to the Governor's Office, was established during the audit period. Responsibilities of the commission include assisting, promoting, encouraging, developing, and advancing economic prosperity and employment on Indian reservations in Montana.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the prior audit of the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 2000. The report contained seven recommendations. The office implemented six and partially implemented one recommendation. The recommendation partially implemented relates to purchasing cards and is discussed on page 5.

Findings and Recommendations

Purchasing Card Receipts

In the prior audit we recommended the office comply with state policies and procedures to control purchasing card use. The office concurred with the recommendation. The department has improved compliance with state policy related to cardholder agreements and sharing of purchasing cards. However, we noted the office has not maintained an adequate control system to ensure purchasing card purchases are supported with vendor receipts as is required by state policy. We reviewed fiscal year 2002 purchasing card transactions and found 60 out of 356 purchases were not supported by receipts. These 60 purchases total approximately \$15,800.

Several employees of the office use the state purchasing card system for purchases under \$5,000. The office has procedures in place to review and approve purchasing card transactions. Each cardholder is required to review their statement, verify each purchase and submit the statement and receipts to office management for final approval. Office management said some cardholders do not submit a receipt for each purchase. Some transactions are made through the internet or over the phone, and a receipt is not printed by the cardholder. Sometimes receipts are not retained by the cardholder. If a receipt is missing, office management said they contact the cardholder to ask about the purchase and request a receipt. Since state policy does not address specific office procedures for approval and payment of charges the office should adopt written policy outlining its procedures.

Recommendation #1

We recommend the office adopt and enforce written policy to improve compliance with state purchasing card policies related to the retention of receipts for all purchases.

Independent Auditor's Report & Office Financial Schedules

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedule of Changes in Fund Balances for the fiscal year ended June 30, 2002, Schedule of Changes in Fund Balances & Property Held in Trust for the fiscal year ended June 30, 2001, and the Schedules of Total Revenues & Transfers-In and Schedules of Total Expenditures & Transfers-Out of the Governor's Office for the fiscal years ended June 30, 2002 and 2001. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Governor's Office for each of the fiscal years ended June 30, 2002 and 2001, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

October 10, 2002

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GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Special Revenue Fund</u>
FUND BALANCE: July 1, 2001	\$ <u>(134,780)</u>	\$ <u>643,893</u>
 ADDITIONS		
Budgeted Revenues & Transfers-In	7,461	428,608
NonBudgeted Revenues & Transfers-In	1,896	92
Prior Year Revenues & Transfers-In Adjustments		(36,114)
Direct Entries to Fund Balance	<u>3,964,094</u>	<u>209,508</u>
Total Additions	<u>3,973,451</u>	<u>602,094</u>
 REDUCTIONS		
Budgeted Expenditures & Transfers-Out	4,426,142	549,871
Prior Year Expenditures & Transfers-Out Adjustments	<u>5,988</u>	<u>3,394</u>
Total Reductions	<u>4,432,130</u>	<u>553,265</u>
 FUND BALANCE: June 30, 2002	 \$ <u><u>(593,459)</u></u>	 \$ <u><u>692,722</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11

GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Agency Fund</u>
FUND BALANCE: July 1, 2000	\$ (213,461)	\$ 742,646	\$ 0
PROPERTY HELD IN TRUST: July 1, 2000			\$ 25,023
 ADDITIONS			
Budgeted Revenues & Transfers-In	1,986	349,593	
NonBudgeted Revenues & Transfers-In	1,796	34	
Prior Year Revenues & Transfers-In Adjustments		9,685	
Direct Entries to Fund Balance	3,215,945	(2,076)	
Additions To Property Held in Trust			32,841
Total Additions	<u>3,219,727</u>	<u>357,236</u>	<u>32,841</u>
 REDUCTIONS			
Budgeted Expenditures & Transfers-Out	3,139,042	454,733	
NonBudgeted Expenditures & Transfers-Out		968	
Prior Year Expenditures & Transfers-Out Adjustments	2,004	288	
Reductions in Property Held in Trust			57,864
Total Reductions	<u>3,141,046</u>	<u>455,989</u>	<u>57,864</u>
 FUND BALANCE: June 30, 2001	<u>\$ (134,780)</u>	<u>\$ 643,893</u>	<u>\$ 0</u>
PROPERTY HELD IN TRUST: June 30, 2001			<u>\$ 0</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Taxes	\$ 486	\$ 51	\$ 537
Charges for Services		113,950	113,950
Investment Earnings		4,721	4,721
Miscellaneous	8,871	33	8,904
Grants, Contracts, Donations and Abandonments		254,742	254,742
Federal		19,089	19,089
Total Revenues & Transfers-In	<u>9,357</u>	<u>392,586</u>	<u>401,943</u>
Less: Nonbudgeted Revenues & Transfers-In	1,896	92	1,988
Prior Year Revenues & Transfers-In Adjustments		(36,114)	(36,114)
Actual Budgeted Revenues & Transfers-In	<u>7,461</u>	<u>428,608</u>	<u>436,069</u>
Estimated Revenues & Transfers-In	600	2,680,146	2,680,746
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 6,861</u>	<u>\$ (2,251,538)</u>	<u>\$ (2,244,677)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ (89,438)	\$ (89,438)
Investment Earnings		(1,788)	(1,788)
Miscellaneous	\$ 6,861		6,861
Grants, Contracts, Donations and Abandonments		(164,399)	(164,399)
Federal		(1,995,913)	(1,995,913)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 6,861</u>	<u>\$ (2,251,538)</u>	<u>\$ (2,244,677)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Taxes	\$ 290		\$ 290
Charges for Services		\$ 158,737	158,737
Investment Earnings		11,344	11,344
Miscellaneous	3,492	71	3,563
Grants, Contracts, Donations and Abandonments		161,485	161,485
Federal		<u>27,675</u>	<u>27,675</u>
Total Revenues & Transfers-In	<u>3,782</u>	<u>359,312</u>	<u>363,094</u>
Less: Nonbudgeted Revenues & Transfers-In	1,796	34	1,830
Prior Year Revenues & Transfers-In Adjustments		<u>9,685</u>	<u>9,685</u>
Actual Budgeted Revenues & Transfers-In	<u>1,986</u>	<u>349,593</u>	<u>351,579</u>
Estimated Revenues & Transfers-In	<u>3,000</u>	<u>242,061</u>	<u>245,061</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,014)</u>	<u>\$ 107,532</u>	<u>\$ 106,518</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ 47,679	\$ 47,679
Investment Earnings		(3,659)	(3,659)
Sale of Documents, Merchandise and Property	\$ (500)		(500)
Miscellaneous	(514)		(514)
Grants, Contracts, Donations and Abandonments		60,141	60,141
Federal		<u>3,371</u>	<u>3,371</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (1,014)</u>	<u>\$ 107,532</u>	<u>\$ 106,518</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

GOVERNOR'S OFFICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>AIR TRANSPORTATION PROGRAM</u>	<u>CITIZENS' ADVOCATE OFFICE</u>	<u>COORDINATOR OF INDIAN AFFAIRS</u>	<u>EXECUTIVE OFFICE PROGRAM</u>	<u>LIEUTENANT GOVERNOR'S OFFICE</u>	<u>MANSION MAINTENANCE PROGRAM</u>	<u>MENTAL DISABILITIES BOARD OF VISITORS</u>	<u>OFFICE OF BUDGET & PROGRAM PLANNING</u>	<u>Total</u>
PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS OUT									
Personal Services									
Salaries	\$ 49,052	\$ 56,819	\$ 61,263	\$ 1,236,770	\$ 154,691	\$ 35,405	\$ 106,752	\$ 684,299	\$ 2,385,051
Employee Benefits	<u>8,429</u>	<u>16,290</u>	<u>13,481</u>	<u>276,801</u>	<u>31,375</u>	<u>13,227</u>	<u>30,668</u>	<u>164,245</u>	<u>554,516</u>
Total	<u>57,481</u>	<u>73,109</u>	<u>74,744</u>	<u>1,513,571</u>	<u>186,066</u>	<u>48,632</u>	<u>137,420</u>	<u>848,544</u>	<u>2,939,567</u>
Operating Expenses									
Other Services	6,973	2,734	10,464	985,257	6,690	1,714	26,565	36,847	1,077,244
Supplies & Materials	45,287	54	2,342	99,118	1,184	8,794	12,645	30,102	199,526
Communications	828	9,428	5,526	62,047	4,371		6,265	8,150	96,615
Travel	7,671		11,956	244,177	14,053	194	16,610	7,241	301,902
Rent			3,291	67,008	8,670		4,278	30,648	113,895
Repair & Maintenance	58,077	225	425	8,740	1,119	16,871	2,017	3,197	90,671
Other Expenses	<u>13,219</u>	<u>503</u>	<u>5,178</u>	<u>102,070</u>	<u>3,777</u>	<u>2,902</u>	<u>3,803</u>	<u>34,522</u>	<u>165,974</u>
Total	<u>132,055</u>	<u>12,944</u>	<u>39,182</u>	<u>1,568,417</u>	<u>39,864</u>	<u>30,475</u>	<u>72,183</u>	<u>150,707</u>	<u>2,045,827</u>
Total Expenditures & Transfers-Out	\$ <u>189,536</u>	\$ <u>86,053</u>	\$ <u>113,926</u>	\$ <u>3,081,988</u>	\$ <u>225,930</u>	\$ <u>79,107</u>	\$ <u>209,603</u>	\$ <u>999,251</u>	\$ <u>4,985,394</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 173,536	\$ 71,054	\$ 97,356	\$ 2,576,293	\$ 225,930	\$ 79,107	\$ 209,603	\$ 999,251	\$ 4,432,130
Special Revenue Fund	<u>16,000</u>	<u>14,999</u>	<u>16,570</u>	<u>505,695</u>					<u>553,264</u>
Total Expenditures & Transfers-Out	189,536	86,053	113,926	3,081,988	225,930	79,107	209,603	999,251	4,985,394
Less: Prior Year Expenditures & Transfers-Out Adjustments	<u>1,663</u>		<u>268</u>	<u>6,851</u>	<u>470</u>	<u>(540)</u>	<u>454</u>	<u>215</u>	<u>9,381</u>
Actual Budgeted Expenditures & Transfers-Out	187,873	86,053	113,658	3,075,137	225,460	79,647	209,149	999,036	4,976,013
Budget Authority	<u>197,637</u>	<u>86,099</u>	<u>2,254,570</u>	<u>3,489,617</u>	<u>226,105</u>	<u>84,111</u>	<u>218,429</u>	<u>4,598,350</u>	<u>11,154,918</u>
Unspent Budget Authority	\$ <u>9,764</u>	\$ <u>46</u>	\$ <u>2,140,912</u>	\$ <u>414,480</u>	\$ <u>645</u>	\$ <u>4,464</u>	\$ <u>9,280</u>	\$ <u>3,599,314</u>	\$ <u>6,178,905</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 9,764	\$ 45	\$ 6,367	\$ 196,096	\$ 645	\$ 4,464	\$ 2,080	\$ 1,024,057	\$ 1,243,518
Special Revenue Fund	<u>1</u>	<u>1</u>	<u>2,134,545</u>	<u>218,384</u>			<u>7,200</u>	<u>2,575,257</u>	<u>4,935,387</u>
Unspent Budget Authority	\$ <u>9,764</u>	\$ <u>46</u>	\$ <u>2,140,912</u>	\$ <u>414,480</u>	\$ <u>645</u>	\$ <u>4,464</u>	\$ <u>9,280</u>	\$ <u>3,599,314</u>	\$ <u>6,178,905</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

<div>GOVERNOR'S OFFICE</div> <div>SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT</div> <div>FOR THE FISCAL YEAR ENDED JUNE 30, 2001</div>									
	AIR TRANSPORTATION PROGRAM	CITIZENS' ADVOCATE OFFICE	EXECUTIVE OFFICE PROGRAM	COORDINATOR OF INDIAN AFFAIRS	LIEUTENANT GOVERNOR'S OFFICE	MANSION MAINTENANCE PROGRAM	MENTAL DISABILITIES BOARD OF VISITORS	OFFICE OF BUDGET & PROGRAM PLANNING	Total
PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT									
Personal Services									
Salaries	\$ 45,098	\$ 55,006	\$ 877,358	\$ 76,326	\$ 165,257	\$ 32,890	\$ 155,631	\$ 703,717	\$ 2,111,283
Employee Benefits	7,309	15,672	193,572	18,633	30,149	12,445	41,998	167,597	487,375
Total	<u>52,407</u>	<u>70,678</u>	<u>1,070,930</u>	<u>94,959</u>	<u>195,406</u>	<u>45,335</u>	<u>197,629</u>	<u>871,314</u>	<u>2,598,658</u>
Operating Expenses									
Other Services	7,177	2,032	257,985	47,260	5,987	3,876	17,496	40,252	382,065
Supplies & Materials	50,071		38,617	756	1,720	19,244	8,424	28,875	147,707
Communications	853	9,316	44,634	4,068	4,888	100	7,658	10,116	81,633
Travel	8,512		57,691	14,379	13,829	28	13,976	744	109,159
Rent			62,364	7,214	9,012		2,880	34,536	116,006
Repair & Maintenance	50,885	225	5,763	460	1,011	4,561	1,063	2,705	66,673
Other Expenses	<u>1,222</u>	<u>699</u>	<u>44,409</u>	<u>1,069</u>	<u>2,614</u>	<u>1,816</u>	<u>5,739</u>	<u>30,962</u>	<u>88,530</u>
Total	<u>118,720</u>	<u>12,272</u>	<u>511,463</u>	<u>75,206</u>	<u>39,061</u>	<u>29,625</u>	<u>57,236</u>	<u>148,190</u>	<u>991,773</u>
Equipment & Intangible Assets									
Equipment	<u>6,604</u>								<u>6,604</u>
Total	<u>6,604</u>								<u>6,604</u>
Total Expenditures & Transfers-Out	\$ <u>177,731</u>	\$ <u>82,950</u>	\$ <u>1,582,393</u>	\$ <u>170,165</u>	\$ <u>234,467</u>	\$ <u>74,960</u>	\$ <u>254,865</u>	\$ <u>1,019,504</u>	\$ <u>3,597,035</u>
EXPENDITURES & TRANSFERS-OUT BY FUND									
General Fund	\$ 161,635	\$ 64,862	\$ 1,239,004	\$ 119,545	\$ 234,467	\$ 74,960	\$ 227,069	\$ 1,019,504	\$ 3,141,046
Special Revenue Fund	<u>16,096</u>	<u>18,088</u>	<u>343,389</u>	<u>50,620</u>			<u>27,796</u>		<u>455,989</u>
Total Expenditures & Transfers-Out	177,731	82,950	1,582,393	170,165	234,467	74,960	254,865	1,019,504	3,597,035
Less: Nonbudgeted Expenditures & Transfers-Out			968						968
Prior Year Expenditures & Transfers-Out Adjustments	<u>187</u>	<u>118</u>	<u>74</u>	<u>29</u>	<u>420</u>	<u>194</u>	<u>(58)</u>	<u>1,328</u>	<u>2,292</u>
Actual Budgeted Expenditures & Transfers-Out	177,544	82,832	1,581,351	170,136	234,047	74,766	254,923	1,018,176	3,593,775
Budget Authority	<u>179,928</u>	<u>82,968</u>	<u>1,692,914</u>	<u>2,318,512</u>	<u>235,085</u>	<u>76,683</u>	<u>268,146</u>	<u>1,209,406</u>	<u>6,063,642</u>
Unspent Budget Authority	\$ <u>2,384</u>	\$ <u>136</u>	\$ <u>111,563</u>	\$ <u>2,148,376</u>	\$ <u>1,038</u>	\$ <u>1,917</u>	\$ <u>13,223</u>	\$ <u>191,230</u>	\$ <u>2,469,867</u>
UNSPENT BUDGET AUTHORITY BY FUND									
General Fund	\$ 2,384	\$ 136	\$ 18,282	\$ 2,892	\$ 1,038	\$ 1,917	\$ 3,499	\$ 39,351	\$ 69,499
Special Revenue Fund	<u></u>	<u></u>	<u>93,281</u>	<u>2,145,484</u>	<u></u>	<u></u>	<u>9,724</u>	<u>151,879</u>	<u>2,400,368</u>
Unspent Budget Authority	\$ <u>2,384</u>	\$ <u>136</u>	\$ <u>111,563</u>	\$ <u>2,148,376</u>	\$ <u>1,038</u>	\$ <u>1,917</u>	\$ <u>13,223</u>	\$ <u>191,230</u>	\$ <u>2,469,867</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Governor's Office

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2002

1. Summary of Significant Accounting Policies

Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, Special Revenue), its Fiduciary (Agency) fund categories and certain liabilities of defined benefit pension plans and certain post employment healthcare plans. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the office receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The 2001 Legislature modified the fund structure established in section 17-2-102, MCA, to implement the changes made to generally accepted accounting principles by Governmental Accounting Standards Board Statement 34. These changes were effective July 1,

Notes to the Financial Schedules

2001. Office accounts are organized in funds according to state law applicable at the time transactions were recorded. The office uses the following funds:

Governmental Fund Category

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Office Special Revenue Funds include activity associated with the Environmental Contingency Resource Indemnity Trust, Montana Consensus Council, federal grants and the State Tribal Economic Development Council.

Fiduciary Fund Category

Agency Fund – to account for resources held by the state in a purely custodial capacity. In fiscal year 2001 the Agency Fund included monies held by the Office’s Mental Disabilities Board of Visitors on behalf of patients at the Montana State Hospital. The Agency Fund was closed in fiscal year 2002, as the board ceased to manage these funds.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The office has authority to pay obligations from the statewide General Fund within its appropriation limits. The office expends cash or other assets from the statewide fund when it pays General Fund obligations. The office’s outstanding liabilities exceeded the assets it has placed in the fund, resulting in negative ending General Fund fund balances for each of the two fiscal years ended June 30, 2001 and June 30, 2002.

3. Direct Entries to Fund Balance

Direct entries to fund balance in the General and Special Revenue funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

Office Response

OFFICE OF THE GOVERNOR

STATE OF MONTANA

JUDY MARTZ
GOVERNOR



STATE CAPITOL
PO BOX 200801
HELENA, MONTANA 59620-0801

November 26, 2002

RECEIVED

DEC 02 2002

LEGISLATIVE AUDIT DIV.

Mr. Scott A. Seacat
Legislative Auditor
Office of the Legislative Auditor
State Capitol
PO Box 201705
Helena, MT 59620-1705

Dear Mr. Seacat:

Following is our response to the recommendation contained in your office's audit of the Office of the Governor and Lieutenant Governor.

Recommendation #1: We recommend the office adopt and enforce written policy to improve compliance with state purchase card policies related to the retention of receipts for all purchases.

Response: We concur. We will continue to educate purchasing cardholders on their responsibilities regarding adequate documentation of all purchases made under this program.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara Ranf".

Barbara Ranf
CHIEF OF STAFF